RICHE MULTI-MEDIA HOLDINGS LIMITED

豐采多媒體集團有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

INTERIM RESULTS

The Board of Directors ("the Board") of Riche Multi-Media Holdings Limited ("the Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30th June, 2003 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

	Notes	Six months ended **30.6.2003** ***HK$'000*** **(unaudited)**	30.6.2002 *HK$'000* (unaudited)
Turnover		**66,396**	42,085
Cost of sales		**(30,320)**	(13,067)
Gross profit		**36,076**	29,018
Other operating income		**832**	393
Administrative expenses		**(12,274)**	(17,282)
Selling expenses		**(129)**	(6)
Profit from operations	4	**24,505**	12,123
Finance costs		**(169)**	(68)
Loss on disposal of a subsidiary		**—**	(1,100)
Profit before taxation		**24,336**	10,955
Taxation	5	**—**	—
Net profit for the period		**24,336**	10,955
Earnings per share	6		
Basic		**5.12 cents**	2.31 cents
Diluted		**4.87 cents**	2.22 cents

Notes :

1. **BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting".

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of the leasehold land and buildings and film rights.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2002 except as described below.

(a) **Additional accounting policy resulted from the acquisition of subsidiaries during the period**

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

(b) **Adoption of revised SSAP**

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountant. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In previous years, partial provision, if any, was made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group's accounting policy for taxation following the adoption of SSAP 12 (Revised) is set out below:

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. **SEGMENT INFORMATION**

Business segments

Six months ended 30th June, 2003

	Distribution ***HK$'000***	**Sub-licensing** ***HK$'000***	**Sales of advertising rights** ***HK$'000***	**Consolidated** ***HK$'000***
Turnover	**40,774**	**24,478**	**1,144**	**66,396**
Segment profit before amortisation of other asset	**19,334**	**8,457**	**795**	**28,586**
Amortisation of other asset	**—**	**(3,322)**	**—**	**(3,322)**
Segment profit	**19,334**	**5,135**	**795**	**25,264**
Unallocated corporate expenses				**(759)**
Profit from operations				**24,505**
Finance costs				**(169)**
Profit before taxation				**24,336**
Taxation				**—**
Net profit for the period				**24,336**

Six months ended 30th June, 2002

	Distribution *HK$'000*	Sub-licensing *HK$'000*	Sales of advertising rights *HK$'000*	Consolidated *HK$'000*
Turnover	14,485	16,000	11,600	42,085
Segment profit before amortisation of other asset	686	9,454	9,332	19,472
Amortisation of other asset	—	(4,758)	—	(4,758)
Segment profit	686	4,696	9,332	14,714
Unallocated corporate expenses				(2,591)
Profit from operations				12,123
Finance costs				(68)
Loss on disposal of a subsidiary				(1,100)
Profit before taxation				10,955
Taxation				—
Net profit for the period				10,955

Geographic segments

The following table provides an analysis of the Group's sales by location of markets, irrespective of the origin of the goods/services:

	Turnover Six months ended **30.6.2003** ***HK$'000***	30.6.2002 *HK$'000*	**Segment (loss) profit Six months ended** **30.6.2003** ***HK$'000***	30.6.2002 *HK$'000*
Hong Kong and Macau	**1,478**	11,709	**(993)**	(456)
The People's Republic of China excluding Hong Kong, Macau and Taiwan (the "PRC")	**64,918**	30,376	**26,257**	15,170
	66,396	42,085	**25,264**	14,714
Unallocated corporate expenses			**(759)**	(2,591)
Profit from operations			**24,505**	12,123

4. **PROFIT FROM OPERATIONS**

	Six months ended 30.6.2003 ***HK$'000***	30.6.2002 *HK$'000*
Profit from operations has been arrived at after charging (crediting):		
Amortisation of film rights (included in cost of sales)	**23,193**	10,209
Amortisation of goodwill (included in administrative expenses)	**1,266**	—
Amortisation of other asset (included in administrative expenses)	**3,322**	4,758
Allowance for bad and doubtful debts	**—**	617
Cost of inventories (included in cost of sales)	**3,054**	2,858
Depreciation and amortisation of property, plant and equipment:		
— owned assets	**613**	1,558
— leased assets	**6**	8
	619	1,566
Inventory written off (included in cost of sales)	**484**	—
Loss on disposal of property, plant and equipment	**—**	935
Contributions to retirement benefits scheme	**108**	69
Salaries and other allowances	**3,481**	3,675
Total staff costs	**3,589**	3,744
Interest income from bank deposits	**(35)**	(62)
Interest income from convertible notes	**(794)**	(329)

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the period since the Group has no estimated assessable profits.

There was no significant unprovided deferred taxation for the period or at the balance sheet date.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30.6.2003	30.6.2002
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share (net profit for the period)	**24,336**	10,955
Effect of dilutive potential ordinary shares: Interest on convertible notes	**168**	68
Adjustment to interest on convertible notes issued by an associate based on dilution of their earnings per share	**(794)**	(329)
Earnings for the purpose of diluted earnings per share	**23,710**	10,694
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**475,200**	475,200
Effect of dilutive potential ordinary shares:		
Share options	**3,324**	2,122
Convertible notes	**8,450**	3,408
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**486,974**	480,730

The computation of diluted earnings per share for both periods does not assume the exercise of the Company's warrants as the exercise price of these warrants is higher than the average market price for shares.

7. POST BALANCE SHEET EVENTS

(a) Pursuant to a special resolution passed at a special general meeting on 22nd August, 2003, the Company:

(i) cancelled the entire amount of HK$186,682,000 standing to the credit of the share premium account of the Company (the "Share Premium Cancellation"); and

(ii) the credit amount of HK$186,682,000 arising from the Share Premium Cancellation was applied to the contributed surplus account of the Company where it was utilised to eliminate the accumulated losses of the Company of HK$106,579,000 as at 31st December, 2002.

(b) On 3rd July, 2003, the Group entered into a conditional sale and purchase agreement with a third party pursuant to which the Group agreed to purchase 100% of the entire issued share capital of World East Investments Limited at a total consideration of HK$15 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a very solid performance in the first half of 2003, with turnover increased by 57.8% over the same period of last year to HK$66.4 million and profit increased by 122.2% to HK$24.3 million. Basic earnings per share grew to HK5.12 cents from HK2.31 cents in the comparable 2002 period.

BUSINESS REVIEW

The Group's three core businesses, namely, distribution of programmes, sub-licensing of programme rights and sales of advertising rights, accounted for 61%, 37% and 2% of the Group's total turnover respectively.

Distribution of Programmes

In line with strong demands of audio-visual products and expanding other sales networks such as Carrefour, the Group achieved a record profit with impressive growth in distribution of programmes. The Group has released a number of movie hits for audio-visual products in the first half of the year including "Diva, Ah Hey" starring Charlene Choi, Niki Chow and Shawn Yue, "PTU" starring Simon Yum, "Why Me, Sweetie" starring Louis Koo and Cherrie Ying, "Love For All Seasons" starring Louis Koo and Sammi Cheng, "Honesty" starring Richie Ren and Cecilia Cheung.

For the six months ended 30th June, 2003, turnover of distribution of programmes derived from Hong Kong and PRC amounted to HK$40.8 million, representing an increase of 181% compared with the same period last year.

Sub-licensing of Programme Rights

For the six months ended 30th June, 2003, turnover of sub-licensing of programme rights amounted to HK$24.5 million, representing an increase of 53% compared with the same period of last year.

Sales of Advertising Rights

Over the last six months, turnover of advertisement placing on Group's products amounted to HK$1.1 million, representing a drop of 90% compared with the same period last year. Due to severe atypical respiratory syndrome ("SARS"), most China advertising agency postponed their placing and performance of the sales of advertising rights was unavoidably affected.

FINANCIAL REVIEW

Capital Structure and Treasury Policy

The Group maintains a strong and stable financial position. As at 30th June, 2003, the Group had total assets of approximately HK$353.9 million, comprising non-current assets of approximately HK$280.0 million and current assets of approximately HK$73.9 million, which were financed by current liabilities, non-current liabilities and shareholders' funds of approximately HK$74.2 million, HK$35.3 million and HK$244.4 million respectively. The current ratio improved from 0.61 as at 31st December, 2002 to 0.99. The quick ratio was 0.98 and the debt to equity ratio was 0.45. The debt to equity ratio was calculated by dividing the total liabilities of HK$109.5 million by the total shareholders' equity of HK$244.4 million.

Borrowings

As at 30th June 2003, the Group had outstanding borrowings of approximately HK$33.80 million representing a convertible notes payable to China Star Group which was unsecured, interest bearing at 1% per annum and maturing on 19th April 2005; and HK$0.04 million representing obligations under a finance lease which was secured, interest bearing and maturing on 5th April 2005.

The convertible notes carry the right to convert the whole or any part of the outstanding principal amount of the notes into ordinary shares of HK$0.10 each in the share capital of the Company at HK$4.00 per share at any time on or before 19th April 2005 and may be transferred in whole or in part of the outstanding principal amount by the holder. Prior to the maturity, neither the holder nor the Company has the right to redeem or request for redemption of the notes.

Contingent Liabilities

As at 30th June, 2003, the Group had no material contingent liabilities.

Foreign Exchange Exposure

As a majority of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, the exchange rate risks of the Group are considered to be minimal.

Pledge and Charge of Group Assets

During the six months ended 30th June, 2003, the Group had not created any mortgage or charge on its assets.

HUMAN RESOURCES

As at 30th June, 2003, the Group has 76 employees (2002: 17) including marketing, management and administrative staffs in Hong Kong and China. The Group offers a competitive remuneration package to its employees, including insurance and medical benefits. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's and individual performance. Staff remunerations for the six months ended 30th June, 2003 were HK$3.5 million. (2002: HK$3.7 million).

ACQUISITION OF A SUBSIDIARY COMPANY

In January 2003, the Group has acquired the entire share capital of a company, Legend Rich Limited that has powerful networks in China, for cash consideration of HK$26 million.

PROSPECTS

With the end of the SARS outbreak in June this year, the Group believes the business environment in the PRC will continue to improve. In line with the signing of Closer Economic Partnership Agreement (CEPA), the Group is set to further expand its distribution network by acquiring Legend Rich Ltd and capture the growth in the PRC's home entertainment market. The Group will also continue to explore acquisition opportunities to sustain business growth.

For distribution of programmes, capitalizing on the Group's successful experience to distribute the audio-visual products through Carrefour and Trust-Mart last six months, the Group is actively negotiating with large department stores and super-markets to distribute its audio-visual products. For others, the group will implement necessary steps to further expand their business.

The sound economic fundamentals and the positive opportunity in the China market, coupled with the emergence of strong brand effect, are set to propel the Group to reach a higher business plateau in the second half of this year.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30th June, 2003.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting period covered by the interim result, except that the non-executive director and the independent non-executive directors of the Company are not appointed for a specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th June, 2003.

PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Group for the six months ended 30th June, 2003 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Heung Wah Keung
Chairman

Hong Kong, 26th September, 2003

* *for identification purpose only*